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'And' rather than 'or'
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Arctic oil, gas on hold from lawsuits, economy
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Plans circulating for massive wind farm off NYC
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The New Energy Politics
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AN IMMEDIATE OIL SHORTAGE IS POLITICAL FICTION, NOT REALITY
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Massachusetts Proposes Master Plan for Ocean Energy Development
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Senate panel begins push for bill with July 7 hearing
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Lawrence urges balance between fossil and renewable fuels in energy transition

Alan Bailey

The world needs to achieve a balance between the use of traditional fossil fuels and new renewable energy sources, as the global community transitions into its energy future, David Lawrence, vice president, exploration, for Royal Dutch Shell, told a packed annual meeting of the Resource Development Council in Anchorage, Alaska, June 30.

"It's not a question of oil and gas versus renewables, or oil and gas versus biofuels. … It's not a matter of 'or' at all. It's a matter of 'and,' and to get all of the above to meet our energy needs," Lawrence said.

And Alaska's role in resource and energy development is larger than that of any other U.S. state, and larger than most countries that Shell operates in, he said.

Diversified future

Referring to what he characterized as the three hard energy truths — increasing energy demand, an inability to grow new energy supplies fast enough and the impact of fossil-fuel-generated carbon dioxide on the climate — Lawrence outlined his vision of a diversified energy future.
"Not only will we need to find more sources of energy to satisfy our growing thirst, it is imperative that we acknowledge and mitigate any associated environmental impacts," Lawrence said.

The world's "easy oil" has gone, with new oil fields tending to be remote, complex and expensive to develop, Lawrence said. For example, Shell has already spent $3 billion on its current Alaska venture with, so far, no monetary return, he said.

And although the world is transitioning into new energy technologies, it has typically taken 25 years for a new energy source to gain as little as 1 percent of the global energy market, Lawrence said, citing the history of the LNG industry, an industry that started 45 years ago and which has now achieved a 2 percent market penetration.

"The (energy) transformation will need to be well paced to be successful," Lawrence said. "Policies aimed at too hasty displacement of fossil energy might condemn many of the world's citizens to … poverty."

Several decades

Shell thinks that wind, solar and biofuel energy use will all grow much more quickly than traditional energy sources such as oil and gas but that despite this rapid growth it will take several decades for these technologies to make major inroads into the overall energy mix.
“Optimistically, we believe that renewables will provide around 30 percent of the world’s energy by the middle of this century,” Lawrence said, adding that renewables represent about 3 percent of world energy production at present.

And, even envisioning as much as 40 percent of energy coming from renewable sources, that possibility begs the question of where the remaining 60 percent of the energy will come from.

“We hope (from) places like Alaska … because the resource base here is huge,” Lawrence said. “It’s another Gulf of Mexico scale resource … in U.S. waters, yet to be found.”

Alaska ground zero

But those who think it possible to exclude fossil fuels from future energy production are trying to block Alaska oil and gas development, he said.
“Unfortunately Alaska, particularly the offshore, is ground zero … in the misguided effort to put us in an either/or world, where fossil fuels play no role in the bridge to the energy future,” Lawrence said. “No less than five of the largest environmental groups in the world have become rooted in Alaska and some will spare no expense or effort to ensure development of any kind does not take place in the offshore.”

Lawrence cited the United States Court of Appeals for the District of Columbia decision in April to uphold an appeal against the Minerals Management Service outer continental shelf five-year lease sale program, an appeal which he said was launched by at least three international environmental groups and one local indigenous group, and which could result in a loss of $10 billion in lease bonuses to the U.S. treasury as well as helping propel U.S. oil imports above their current level of 60 percent of U.S. oil supplies, and possibly causing an unnecessarily early shutdown of the trans-Alaska oil pipeline.

In fact, had the trans-Alaska oil pipeline construction not been authorized several decades ago, the United States would currently be obtaining an additional 700,000 barrels of oil per day from sources outside Alaska, where environmental and safety standards are the most stringent in the world, Lawrence said.

Litigation

Although the courts cannot overlook the views of the perhaps thousands of people that the environmental organizations represent, a small group of people often litigates development projects at every stage. And some non-governmental organizations employ a tactic of enlisting local communities to add weight to their arguments, despite disconnects between those international groups and the local communities over issues such as the harvesting of whales, Lawrence said.
In fact, Shell has partnered with several environmental groups, he said.

“These groups pull no punches in letting us know when and where they believe we can do better, and we’re ready to listen. We value their feedback,” Lawrence said.

And Shell values the views of people impacted by oil and gas development.

“We have a genuine respect for honest dialogue and believe groups of individuals deserve to be heard on important issues that could impact their lives for generations,” Lawrence said.

Lawrence particularly mentioned North Slope Borough Mayor Edward Itta’s forthright concerns about the need to protect offshore areas that the North Slope communities and their ancestors have depended on.

“We respect his opinion greatly,” Lawrence said.

Shell has responded to the concerns of North Slope communities with a scaled-down offshore drilling plan that will end up costing the company tens of millions of dollars in lost efficiency, Lawrence said.

“That (cost) wasn’t the point,” Lawrence said. “The point was: We hear you, we listen and if this is important to you it’s important to Shell, and that’s why we made our programs the way we did.”

And Lawrence slammed an environmental group that had been quoted as saying in response to Shell’s scaled-down plan that one offshore drillship is one offshore drillship too many.

Illogical

Moreover, limiting offshore oil and gas exploration on the grounds of potential impacts on climate change is also illogical because coal-burning power plants in the U.S. Midwest, for example, play a much greater role in climate change than Alaska oil and gas facilities, Lawrence said.
At the same time, Shell’s track record in Sakhalin demonstrates the company’s ability to bring oil on line in an environmentally challenging region, he said. Less than 3 barrels of oil have been spilled in Sakhalin, despite production of more than 100 million barrels in a very hostile environment similar to that in Alaska, while no oil has ever been spilled as a consequence of exploration drilling in offshore Alaska, Lawrence said.

And Shell is confident in its ability to use advanced technologies to clean up an offshore oil spill, in the unlikely event of a spill occurring.

“No other company has deployed the immediate response capability in terms of vessels, equipment and trained personnel that Shell has at the field site,” Lawrence said.

Lawrence urged constructive partnerships in addressing the issues surrounding oil and gas development in the Beaufort and Chukchi Seas.

“How can we balance our energy needs with economic progress and sustainable development, (and with) community concerns about the environment?” Lawrence asked. “And the kind of constructive partnerships that I’m talking about are not those in which one party just simply has a strategy of ‘no that’s impossible’ and turns to the courts. In the world of the three hard truths … this is simply opting out of the challenge. We need people, communities, governments, regulators and organizations not to opt out, not to say ‘that’s impossible,’ but to opt in.”

Rather than talking about the 50 ways that something might not work, people should focus on making it work and doing things the right way, he said.

“We believe that there’s possibly more oil and gas in offshore Arctic Alaska than there is remaining to be found in the Gulf of Mexico,” Lawrence said. “That’s why we’re here. It would be our privilege to help to find and produce it safely, with no harm to the environment and in a way that meets the needs of the communities in which we work.”

Arctic oil, gas on hold from lawsuits, economy
Washington Times, July 4, 2009; http://washingtontimes.com/news/2009/jul/04/arctic-oil-gas-kept-on-hold-by-lawsuits-economy/?feat=home_headlines

Cassie Fleming

The global recession and lawsuits from environmental groups have slowed the scramble for previously unattainable oil and gas reserves and shipping routes in the Arctic caused by climate change, and have provided a window to resolve complicated ecological and security concerns, specialists say.

Many major international oil and gas companies have put large-scale projects on hold, said Alexander Braun, a specialist on Arctic change and sea dynamics at the Arctic Institute of North America at Canada's University of Calgary in Alberta.

American companies active in the Arctic have historically had to watch the economy and commodity prices closely because of the higher cost of operating there.

Richard Ranger, senior policy adviser at the American Petroleum Institute, an industry lobbying group, said direct legal challenges are also slowing exploration and production off Alaska's coast.

The Center for Biological Diversity, a nonprofit conservation group, is the principal party behind Arctic litigation, Mr. Ranger said. The group has filed lawsuits with the federal Minerals Management Service to halt the issuing of air quality permits to Royal Dutch Shell, asserting, according to the center's Web site, that the oil giant has not adequately assessed how exploratory drilling would affect wildlife and native populations.

Shell announced earlier this week that it was withdrawing its 2007-2009 drilling plan in the Beaufort Sea and would submit a new plan for 2010. The U.S. Court of Appeals for the 9th Circuit in San Francisco blocked the company from oil drilling in July 2007.

The center was also responsible for several lawsuits that led to last year's listing of the polar bear as a threatened species under the Endangered Species Act.

In addition to the United States, major countries including Russia, Canada, Norway, Iceland and Denmark via Greenland are vying for investment in the Arctic. The area is warming faster than any other region and will be ice-free in the summer by 2013, according to a new report by the Carnegie Endowment for International Peace, Dartmouth College and the University of the Arctic in Canada.

"The present global economic slowdown provides a much-needed hiatus in Arctic commercial pressures during which important Arctic powers could work on developing coordinated rules and best practices by which to govern Arctic resources," the report said.

Melting ice has allowed for expanded oil and gas production, mining, fishing, shipping and cruise ship tourism, but it also causes safety and environmental concerns such as moving glaciers, sea rise and coastal erosion, Mr. Braun said. To assess and manage these consequences, he said, governments must use this window to establish a monitoring network for the Arctic by using technology that is already in use for other continents and oceans.

"We must understand the processes going on in the Arctic, measure if this crust is moving left, right, up or down so climate change can be assessed," Mr. Braun said. "There is a lot of important knowledge about physical processes that we are missing."

The Integrated Ocean Drilling Program, an international partnership of scientists and research institutions, is sending a team to the Bering Strait this month to gather information on the Arctic core, said Nancy Light, director of communications for the program.

Obtaining knowledge on the status and dynamics of the region will allow industries and nations to extract the region's resources more efficiently and safely, Mr. Braun said.

Current institutions and treaties do not adequately address who owns the sea bed where these oil and natural gas sources lie.

"It is a purely political battle right now to claim rights to the Arctic," Mr. Braun said. "We have activity by a lot of governments who are trying not to miss the train."

The Arctic is believed to hold 90 billion barrels of undiscovered oil - 10 percent of the world's remaining reserves and enough to supply current world demand for three years. An estimated 30 percent of the world's remaining reserves of natural gas are also in the region, according to the U.S. Ecological Survey.

Companies such as BP - formerly British Petroleum - ConocoPhillips, Exxon Mobil Corp., Shell, Pioneer Natural Resources, Eni, Anadarko and StatoilHydro are currently the most active in Alaska and off-shore, Mr. Ranger said.

BP and Exxon Mobil are also exploring the Canadian Arctic, he said.

"There's a growing energy demand and there's untapped energy sources in the Arctic," said David Balton, a deputy assistant secretary of state at the Bureau of Oceans and International Environmental and Scientific Affairs. "Knowledge is growing of what is down there, and this is becoming an issue."

U.S. policy for the Arctic has evolved more slowly than the ice is melting.

The next few years are "critical in determining whether the Arctic's long-term future will be one of international harmony and the rule of law, or of a Hobbesian free-for-all with dangerous potential conflict," Scott G. Borgerson, a

visiting fellow for ocean governance at the Council on Foreign Relations, told the Senate Foreign Relations Committee in May.

"Russia, with the biggest portion of territory in the Arctic, is increasingly forceful in military and economic expansion," Mr. Braun said. "Canada and the U.S. each want a say in the region, as well as Norway and Denmark through Greenland."

China, South Korea, Singapore and Japan also have made moves to tap into the region's resources or shipping routes, Mr. Borgerson said.

Anticipating a rise in traffic in the region, the U.S. Coast Guard has increased its presence in the Arctic waters north of Alaska, said Chief Petty Officer Dana Warr, spokesperson for the Juneau office.

While no permanent station has been established in the Arctic, the Coast Guard conducts two-week operations and sends a research ship into the Arctic every summer to research global warming.

Under a 1994 treaty, the United Nations Convention on the Law of the Sea, countries have the sovereign right to the seabed and soil beneath it out to 200 nautical miles from their coast, and in some cases, these nations can claim sovereignty as far out as 600 miles, said Cmdr. James McMahon, staff judge for the 17th District of the U.S. Coast Guard.

In the Arctic, however, scientists do not know where nations' continental shelf ends and the international oceanic crust begins.

Without clear scientific data, many countries have been claiming more than they can legally justify, Mr. Braun said. "If there are major offshore oil fields in an area where we don't know who owns it, it is worth fighting to ensure your nation's sovereignty, especially with oil prices coming back up." Mr. Braun said.

The Coast Guard has teamed its icebreakers with other government agencies to do seabed maps and has developed a strong working relationship with the Canadian Coast Guard and Russian border guards in the Arctic, Cmdr. McMahon said.

Mr. Balton said U.S. efforts are under way to define the shelf boundaries.

"Yes, there is conflict in the region, but this is not a lawless region," he said. "Billy the Kid is not going to ride in the Arctic."

The U.N. convention provides a foundation to build future governance, Mr. Balton said.

The United States has signed the treaty, but the Senate has not yet ratified it. Thus it is not able to solidify a claim to its continental shelf that is recognized by other countries. That has made oil companies reluctant to invest in operations that may be in disputed waters, Cmdr. McMahon said.

Plans circulating for massive wind farm off NYC
Greenwire, July 2, 2009; http://www.eenews.net/Greenwire/2009/07/02/12

Government agencies and utilities are gauging the interest of developers in building a massive wind farm 13 miles off the coast of New York City.

New York's dominant electricity company, Consolidated Edison Inc, and the Long Island and New York power authorities said yesterday that they hope to build a 350-megawatt farm off Rockaway Peninsula in the Atlantic. The project could expand to 700 megawatts, which would make it the largest offshore wind farm in the United States.

Con Edison did not release a price estimate for the farm, which has many more hurdles to jump through before construction, said Kevin Burke, chief executive and chairman of Con Ed.

"If the technical, environmental, economic and social challenges can be met, and we have the support of government, energy and environmental leaders, I am confident this project will be built," he said in a statement.

Previous efforts to build a 140-megawatt wind farm off the Long Island coast at Jones Beach faltered after cost estimates reached $800 million, double initial projections (Timothy Gardner, Reuters, July 1).

The New Energy Politics
Washington Post, July 2, 2009; http://www.washingtonpost.com/wp-dyn/content/article/2009/07/01/AR2009070103022.html

By E.J. Dionne Jr.

Hours before the House passed its cap-and-trade bill last week, freshman Democrats Tom Perriello and Frank Kratovil were pondering the political fallout of the votes they were about to cast in favor of a plan Republicans were denouncing as "cap-and-tax."

"Maybe we should be called the conscience caucus," said the 34-year-old Perriello, who won his Southside Virginia district last year by 727 votes even as Barack Obama was losing it by 7,512.

He recalls Kratovil, 41, replying that perhaps they would be known as the caucus of soon-to-be unemployed congressmen.

Kratovil, who narrowly won a Maryland district that Obama lost to John McCain by 18 points, does not remember his precise reply to Perriello. But he acknowledges that "it would have been easier politically not to take that vote."

That some highly vulnerable Democrats in the House were willing to face tens of thousands of dollars worth of Republican attack ads as the price of supporting a bill to curb global warming is the untold story of what, so far, is the year's most dramatic legislative showdown.

Accounts of the battle typically focus on how many industry giveaways were added to the bill to get it passed, how much it had to be weakened to round up the necessary votes and how much pressure House Speaker Nancy Pelosi and President Obama brought to win a 219-to-212 majority.

All of that is true, but it misses another dimension of the fight: A number of relatively young, politically vulnerable House members who had campaigned on promises to cleanse the environment decided that this vote was a risk worth taking. "A bill created by the old politics," says Perriello, "was passed by the new politics."

Well, yes, but as Perriello is the first to acknowledge, old politics operated right to the end.

Take the cases of Kratovil and Colorado's Betsy Markey, another freshman Democrat from a district Obama lost. Both represent significant numbers of farmers. Their votes weren't secured until the chairman of the House Agriculture Committee, Rep. Collin Peterson (D-Minn.) won last-minute changes protecting farm interests.

For Kratovil, one key was making sure that Maryland farmers, who work under stringent, state-imposed environmental standards, would receive the same benefits under the bill as farmers in states with less-demanding rules would.

For Markey, major issues included helping rural electric cooperatives and protecting dairy farmers who feared the bill might impose a "cow tax" on cattle for producing methane by way of, shall we say, a thoroughly natural process.

Kratovil said he could not have supported a bill that hurt agriculture, "which is huge as an economic engine vital to my district." With the amendments, he was free to vote in line with his core campaign promises: to promote "renewable fuel, to reduce our dependency on foreign oil and to protect the environment," including the Chesapeake Bay.

But another factor is changing the political calculus: the rise of a substantial alternative-energy business that encompasses wind and solar. For the first time, the political meaning of the word "energy" is not confined to oil and gas, even if old energy is still far more connected politically.

Among the employers in Markey's district are Vestas, a leading supplier of wind power, and Abound Solar, a spinoff of research at Colorado State University that manufactures photovoltaic panels.

Markey adds that a large swath of her district is one of the most promising parts of the country for producing wind energy, and "this bill really helps our eastern plains."

Underscoring the dawn of a new energy politics were the eight Republican votes cast in favor of the bill, notably those of Mark Kirk of Illinois and Mike Castle of Delaware. Both are considering campaigns for the U.S. Senate next year, and they may see a future that others in their party don't.

Still, for many potentially vulnerable Democrats who backed the bill, there will be short-run political pain. Perriello and Markey were among 14 House members targeted by the National Republican Congressional Committee for their votes. In Perriello's case, a tough television ad predicts huge increases in electricity prices.

Perriello is philosophical about the assault, though he says he's surprised that Republicans are "using information they know is fundamentally wrong." He plans to use the July 4th weekend in his district to talk about the urgency of energy independence and the potential for renewable-energy jobs. Perriello's fate will be a test of just how new our politics have become.

AN IMMEDIATE OIL SHORTAGE IS POLITICAL FICTION, NOT REALITY
National Center for Policy Analysis, July 1, 2009; http://www.ncpa.org/sub/dpd/index.php?Article_ID=18153

Jonah Goldberg

One anti-drilling argument often invoked by environmentalists is that either America or the world is running out of oil. Neither assertion is true, says columnist Jonah Goldberg.

For example, in the 1970s, the Club of Rome guaranteed that we'd run out of oil by now.

Yet the amount of available oil has expanded greatly since then, says Goldberg:

According to U.S. Geological Survey estimates, we've got just shy of 6 trillion barrels of oil or its equivalent.
Ronald Bailey, Reason magazine's science correspondent, writes that this means 82 percent of the world's endowment of oil and gas resources remain to be used.
Bailey, who did a thorough survey of the "peak oil" debate, found that most of the world's leading analysts and agencies simply do not think we are running out of oil.
The cycle keeps repeating itself, says Goldberg:

In 1995 the USGS said that the Bakken formation, in North Dakota and Montana, had a modest amount of oil; it now believes there are 3 to 4 billion barrels there -- 25 times the 1995 estimate.
The Minerals Management Service (MMS) insisted in 1987 that there were a "mere" 9 billion barrels of oil in the Gulf of Mexico; 20 years later that estimate is up to 45 billion.
Prudhoe Bay in Alaska has already generated 15 billion barrels of oil and natural-gas liquids even though the government insisted the needle would hit empty at 9 billion; right now, the MMS conservatively guesses that the Atlantic and Pacific Outer Continental Shelf (OCS) has 14.3 billion barrels of oil and 55 trillion cubic feet of natural gas.
One of the reasons the numbers keep going up is that we've gotten so much better at finding oil, thanks to seismic imaging and the like. Ever-improving technology also allows us to get oil we once thought was too hard to reach.
We haven't figured out how to extract oil from shale in environmentally safe and economically feasible ways -- yet -- but estimates put the amount of shale oil in the Intermountain West at 1.2 to 1.8 trillion barrels. If we could recover 800 billion barrels of that, America would have three times Saudi Arabia's oil stockpile, says Goldberg.

Massachusetts Proposes Master Plan for Ocean Energy Development
Greentech Media, July 1, 2009; http://www.greentechmedia.com/articles/read/massachusetts-proposes-master-plan-for-ocean-energy-development/

Ucilia Wang

The draft plan covers how the state would plan and oversee all sorts of projects located within the state waters, including wind, tidal and wave farms.

Massachusetts released a draft of a plan Wednesday that would govern the permitting and management of projects such as tidal and wave energy farms.

Touted by the state as the first comprehensive ocean management plan in the country, it aims to support renewable energy and other industrial operations in the state waters while taking care to protect marine resources, the state said (see management plan website).

But creating a management plan would help to ensure a more careful planning and permitting process. Other states might follow Massachusetts' step as more renewable energy project developers express an interest in building wind and ocean power farms up and down the Atlantic and Pacific coasts.

The federal government also has taken steps to set up the regulatory framework, especially because the current administration is keen on promoting renewable energy production and job creation.

Earlier this year, the Department of Interior and the Federal Energy Regulatory Commission settled a dispute over their authorities to permit and oversee energy projects on the outer continental shelf.

Last week, the Interior Department issued the first ever leases for wind energy exploration on the outer continental shelf (see Feds Issue First-Ever Offshore Wind Leases).

Generating energy from ocean currents holds a lot of promise, but it also faces many technical and financing challenges. Companies that are developing ocean power technologies are largely in the pre-commercial stages (see Pelamis Wave Machines Cranking Hundreds of Kilowatts, Pre-Crisis and California Sinks Its First Wave Project).

Creating the management plan would yield maps and studies showing sensitive habitats that would require protection, as well as sites that are suitable for energy projects.

The state is now collecting public comments on the plan, and hopes to finalize it by the end of the year.

Senate panel begins push for bill with July 7 hearing
E&E News PM, July 1, 2009; http://www.eenews.net/eenewspm/2009/07/01/1

Ben Geman

The Senate Environment and Public Works Committee will launch its summer push toward climate legislation with a hearing Tuesday featuring three top Obama administration officials.

U.S. EPA Administrator Lisa Jackson, Energy Secretary Steven Chu and Agriculture Secretary Tom Vilsack are scheduled to testify at the July 7 hearing, which the committee says will "examine the legislative tools available to move America toward clean energy, cut greenhouse gas pollution and create jobs."

Chairwoman Barbara Boxer (D-Calif.) hopes to mark up a cap-and-trade bill before the end of July and plans to introduce the measure soon (Greenwire, June 29). Majority Leader Harry Reid (D-Nev.) wants to bring a package of climate and energy measures to the floor this fall.

The Energy and Natural Resources Committee approved a broad energy bill last month, while Reid has given other committees with jurisdiction expected to weigh in -- Agriculture, Commerce, Finance and Foreign Relations -- until Sept. 18 to produce their additions to the package.

The Senate hearing follows the House's narrow passage of a sweeping climate and energy bill last week. The 219-212 House vote shifts the battle to the Senate, where assembling the 60-vote coalition needed to pass a climate bill is expected to be as tough as securing House passage, if not harder.

State draws zones for coast wind farms
Boston Globe, July 1, 2009;
http://www.boston.com/news/local/massachusetts/articles/2009/07/01/state_plan_could_bring_wind_farms_near_coast/

Aims to protect sensitive areas of sea

By Beth Daley

Dozens of wind turbines could sprout within sight of the Massachusetts shoreline under a first-of-its-kind state blueprint with the promise of generating both electricity and controversy.

The draft plan, scheduled to be released today, would allow a series of small wind farms of up to 10 turbines each in coastal waters that stretch 3 miles from shore. Substantially larger farms - similar to what's proposed in Nantucket Sound - could be built off Cape Cod near Cuttyhunk Island and adjacent to another tiny island several miles off Martha's Vineyard.

But much like zoning laws on land that attempt to protect sensitive areas, the state plan aims to spare precious pieces of the sea that include fish nurseries and endangered whale feeding zones. Before developers could start aquaculture farms, lay electric cables, or plant wind turbines in those areas, they would have to prove there is no better alternative.

"For more than 300 years the Commonwealth has had a unique relationship with the ocean,'' said Ian Bowles, state secretary of Energy and Environ mental Affairs. "Today, we are taking that relationship a step further by determining [its] future based on science but also recognizing the imperative of developing renewable energy . . . in an environmentally appropriate fashion.''

The plan would have no effect on the 130 turbines proposed in Nantucket Sound because they would sit in federal waters.

But much like the Nantucket project and even single turbines on land, the smaller wind farms appear destined to pit the desire to generate clean energy against concerns that the whirling machines would obstruct views and harm wildlife.

Several offshore wind farms are likely to be proposed by companies and communities that support renewable power, but it's unclear how many will ultimately be built. At least one community, Hull, had previously expressed interest in hosting up to four turbines a mile offshore.

The blueprint gives the state's six coastal regional planning authorities the option to build up to 10 wind turbines each in state waters at least one-third of a mile from shore, for a total of 60 statewide. While the plan gives refusal rights to the community in whose waters a wind farm is proposed, it does not give similar rights to adjacent communities.

"We could have no say,'' said Frank Haggerty, who successfully fought against a turbine on land near his home in Mattapoisett. "Turbines have their place, but where I've seen them they are 7 miles out - not a mile.''

The plan emerges as the nation's waters become increasingly crowded from competing uses of ship traffic, fishing, and a flurry of offshore energy projects, from liquefied natural gas ports to wind farms. Two weeks ago, President Obama called such ocean management a priority to help manage federal waters that stretch 3 to 200 miles out to sea.

Environmentalists and policy makers largely praised Massachusetts' plan yesterday, but some said it's not enough to simply try to avoid sensitive areas. Some, they said, should be completely off-limits.

The plan only prohibits development in the Cape Cod Ocean Sanctuary, which is adjacent to the Cape Cod National Seashore.

"All eyes are on Massachusetts to lead the nation in ocean planning,'' said Sally Yozell, director of East Coast marine conservation for The Nature Conservancy, an advocacy group. "It's a great energy plan for the next century, but when it comes to an ocean plan it falls back to the previous century.''

While other states, such as California, have used zoning rules to balance conservation with fishing off their coast, Massachusetts is the first to insert renewable energy into the mix. It has tried to zone the state's seas at least three

times over the last two decades, but efforts repeatedly collapsed amid competing interests or because there was no compelling need at that moment.

That has changed. In the last several years, several wind turbine parks have been proposed in state waters - including a project of up to 120 turbines in Buzzards Bay - along with some wave and tidal energy projects.

At the same time, more pipes and electrical cables are crisscrossing the state's seabed while hundreds of boats, barges, and tankers ply the waters above it. The state is also seeing an increase in requests to mine sand offshore to armor beaches as well as requests to start aquaculture farms. In nearby federal waters, the proposed Cape Wind farm has been a lightning rod for controversy - and for calls to better manage ocean uses.

As a result, Governor Deval Patrick signed the state's Oceans Act in May 2008, requiring environmental officials to come up with an ocean management plan by the end of this month. The plan must become final by Dec. 31. Five public hearings will be held on the plan, probably in early September, and public comment will end in November.

The proposed Buzzards Bay project would probably be killed if the draft plan is made final because it is too big. Its developer, Jay Cashman, said yesterday he needed to see the ocean plan before commenting.

The document gives renewable energy developers a clear signal that large wind farms could one day be built right off Cuttyhunk Island and Nomans Land, an uninhabited island about 3 miles southwest of Martha's Vineyard that was used as a military practice bombing range. While the two areas comprise only 2 percent of the entire state ocean zoning area, they could support 166 wind turbines to power up to 200,000 homes. And those areas are adjacent to federal waters farther out to sea rich with strong winds.

Patrick Paquette, head of government affairs of the Massachusetts Striped Bass Association, said yesterday he had no problem with a wind farm being built off Cuttyhunk, or on or near a historic reef famous for fishing called Sow & Pigs - as long as fishermen weren't excluded from the area.

Jono Billings, who runs Cuttyhunk Ferry Co., said he can't speak for islanders, but he would like to see wind turbines off the island. "Their look is interesting,'' said Billings, who hauls lumber, mail, and tourists to the island. "But I'd say the island should get something for it - like free electricity.''

Deepwater oil-and-gas drillers could get special perks
Daily Comet, June 30, 2009; http://www.dailycomet.com/article/20090630/ARTICLES/906301000?Title=Deepwater-oil-and-gas-drillers-could-get-special-perks

Jeremy Alford

BATON ROUGE - State lawmakers are asking the state Mineral Board to consider adopting special perks for oil-and-gas leases that require deep drilling.

Since going deep means going expensive, former Sen. Reggie Dupre, D-Bourg, said oil and natural-gas producers need added economic incentives to invest their own dollars in such operations.

"A couple of impediments to drilling to 15,000 feet or more below the surface are the costs and expenses and the inherent risk involved to drilling to such a depth," Dupre <0x000A>said, adding that the state could take steps to address a few of the concerns.

Specifically, Dupre, who resigned after the session ended last week and takes over Wednesday as Terrebonne levee director, said Mineral Board officials should think about accepting minimal royalty payments from leases that require drilling at a true vertical depth of 15,000 feet below the surface.

That's prime territory for producers, and the state estimates that some 30 trillion cubic feet of natural gas remains unexplored below the threshold.

The entire Legislature sided with Dupre last week and sent a copy of his Senate Concurrent Resolution 146 to the state Department of Natural Resources, which oversees the board.

The suggestion could also generate more interest in Louisiana's state-owned lands and water bottoms, Dupre said.

Like practically every other month this year, the June mineral-lease sale recently conducted by the board dipped below previous performances. The sale hit a three-year low by bringing in $1.4 million for the state. In all, the Louisiana Mineral Board awarded 11 leases, mostly in northern parishes.

By comparison, last year's June sale produced more than $35.8 million in payments for the state and 38 leases for oilmen and independent producers.

As for how successful new incentives on the state level might be, Dupre pointed to the federal Deepwater Royalty Relief Act of 1995, which was established to increase production and to encourage development on federal leases.

From 2004 to the present, 326 wells have been drilled between 15,000 and 18,000 feet in the Gulf of Mexico's Outer Continental Shelf and the federal royalty-relief program has been credited at least partially for the boost.

On the state level, however, only 23 wells have been drilled at the same depths during the same five-years.

Considering the impact energy production has on the state's budget, which faced a $1.3 billion shortfall until the Legislature enacted cuts last week, Dupre said all economic-development opportunities should be explored.

Boosting deepwater drilling will aid the oil-service-based economies of coastal communities like Terrebonne and Lafourche parishes, he added.

"Drilling of oil or natural-gas wells is essential to the continued growth and development of the mineral resources of Louisiana and to the continued prosperity and welfare of the citizens of Louisiana," he added.

Challenge to Shell's Alaska drill plan dismissed
Reuters, June 30, 2009; http://www.reuters.com/article/rbssEnergyNews/idUSN3047515120090630

By Yereth Rosen

ANCHORAGE, Alaska, June 30 (Reuters) - A federal appeals court has dismissed a legal action that challenged Royal Dutch Shell's (RDSa.L) plans to drill several wells over three years in Alaska's Beaufort Sea, now that the company itself has ditched the program and replaced it with a more limited exploration proposal.

The 9th Circuit Court of Appeals on Tuesday dismissed the administrative appeal filed by environmental and Alaska Native groups. Since Shell on May 5 dropped its 2007-2009 exploration plan and the Minerals Management Service subsequently rescinded its approval, the litigation was moot, the court said in its order.

Shell has scaled back its drilling plan to span a single year, 2010, to involve a single drill rig instead of two and to encompass two wells instead of the dozen or more than initially had been proposed.

A company executive in Anchorage said the reduced drilling plan reflects Shell's willingness to listen to the concerns of the Inupiat Eskimo people of Alaska's North Slope and North Slope Borough Mayor Edward Itta, who are wary of offshore drilling because of potential impacts to whales and other Arctic marine life.

But when the company announced its new plan last month, "We didn't go into the fact that reducing our drilling program would eventually cost Shell tens of millions of dollars," David Lawrence, Shell's executive vice president for exploration, said in a speech Tuesday to the Resource Development Council for Alaska.

Lawrence expressed frustration about the delays inflicted on the company's Alaska development plans because of environmental litigation and appeals, including the just-dismissed case.

"Shell to date has spent $3 billion in Alaska. And to date, we have no monetary return to show for it," he said in his speech.

The company remains committed to its plans for exploring and developing the Beaufort and Chukchi Seas, however, Lawrence said.

"We believe that there's possibly more oil and gas in offshore Alaskan than there is remaining to be found in the offshore Gulf of Mexico. That's why we're here," he said.

Shell last year spent $2.1 billion acquiring leases in federal waters of the remote Chukchi, which lies between northwestern Alaska and eastern Siberia.

The company spent $84 million in 2005 and 2007 acquiring leases in the Beaufort, off Alaska's northern coast, and had intended to start drilling there two years ago at a known oil prospect called Sivulliq.

Energizing Senate cap-and-trade bill
Politico, June 30, 2009; http://www.politico.com/news/stories/0609/24335.html

By: Lisa Lerer

As the fight over climate and energy legislation moves to the Senate, the political climate is heating up for New Mexico Democratic Sen. Jeff Bingaman.

The serious and soft-spoken chairman of the Senate Energy and Natural Resources Committee has already emerged as a key player in negotiations over how the Senate will handle its version of the controversial legislation.

The House narrowly passed its more than 1,200-page version of the bill last week, after last-minute White House wrangling locked in the support of rural and Rust Belt Democrats. Now the bill moves to the Senate, where the administration will face an even tougher fight persuading skeptical moderate Democrats to back it.

To attract broader support, Senate Majority Leader Harry Reid (D-Nev.) intends to couple a package of bipartisan energy provisions passed by Bingaman's committee with the controversial cap-and-trade bill that will be drafted by the Environment and Public Works Committee, chaired by Sen. Barbara Boxer (D-Calif.). Reid plans to move the two bills together through the Senate next fall — overriding Bingaman's concerns that the joint package could hold up final passage of his committee's energy bill.

Last month, Bingaman's committee passed a compromise energy bill that would require utilities to generate 15 percent of electricity from renewable sources by 2021. The legislation also would require an inventory of outer continental shelf energy resources and allow offshore drilling off Florida's Gulf Coast.

Boxer; Bingaman; Foreign Relations Committee Chairman John Kerry (D-Mass.); Commerce, Science and Transportation Committee Chairman John Rockefeller (D-W.Va.); and Finance Committee Chairman Max Baucus (D-Mont.) already are working on how to coordinate their efforts on climate- and energy-related proposals. Another group of senators meets every Tuesday to hear climate and energy presentations from different interest groups, White House officials and their House counterparts.

POLITICO talked to Bingaman about what the Senate has planned and the chances of getting any climate or energy bill passed this fall:

Is there enough support to pass a cap-and-trade system?

-First of all, designing a cap-and-trade system is very complex, and I think we've seen some of that complexity in evidence in the deliberations in the House already. So I think we now need to have all of that debate and discussion here in the Senate. People need to understand that we can enact a system which will not unduly burden anyone, but will put us on a track to reducing greenhouse gas emissions over the next seven decades. Clearly, there's always some that are never going to be persuaded, and there's some that don't even think global warming is a problem. But most people here in the Senate believe the issue is real. They believe action is appropriate to put a price on carbon.

Do you think 60 people believe that?

-I think so.

Efforts to pass a cap-and-trade bill last June by Sen. Joe Lieberman (I-Conn.) and former Sen. John Warner (R-Va.) failed. What's changed since then that now makes you think the Senate could pass climate legislation?

-There's more awareness of the seriousness of the problem. With a very few exceptions here in the Congress, most people are persuaded that the science is clear, that we are putting too much in the way of greenhouse gas emissions into our atmosphere, and we need to reduce that. The debate has shifted to how you design a mechanism to reduce that in the most efficient way.

Is packaging cap and trade with your committee's energy bill the best way to get a climate bill through the Senate? Instituting a cap-and-trade system is far more controversial than some of the provisions included in your energy bill.

-I favor enacting strong provisions on the energy issues we've been trying to deal with. I also favor enacting a cap-and-trade system. The question of how you package it all up in order to maximize your chances of getting it done — that's going to be Reid's decision.

How important is it that climate legislation gets passed this year?

-I think that there's a lot of desire to move ahead. I think it is important because the issue we are trying to address is crying out for attention and action, and given the continued emissions of greenhouse gases at higher and higher levels, we need to try and act as quickly as we can. I think the impetus to act is heightened by this international meeting in Copenhagen that's planning to occur the end of the year as a follow-on to the Kyoto agreement. I think this administration is anxious to be able to participate in that meeting with some confidence that it has the support of the Congress, and enacting legislation would be the strongest possible evidence that we have a national policy that we can actually implement.

What will the administration consider enough progress for effective negotiations to take place in Copenhagen?

-I think that what has happened already, particularly in the House on cap and trade, is real progress, and I compliment [House Energy and Commerce Committee Chairman] Henry Waxman, Ed Markey [D-Mass.] and Rick Boucher [D-Va.] and all the others who have worked so hard on this, [but] it would be better if President Obama and others could point to actually enacted legislation by the time they get to Copenhagen.

Can Congress handle drafting both health care and climate change legislation this summer, given the political complexity of both issues?

-I believe Sen. Reid is trying to get health care reform legislation in a form that we can consider on the Senate floor before we do climate change and energy legislation. I'm sure that is in many ways dependent on how successful his committees are in reporting legislation.

Florida Offshore Oil-Drilling Risks Outweigh Rewards
The Ledger, June 30, 2009; http://www.theledger.com/article/20090630/NEWS/906295061/-1/EDIT?Title=Florida-Offshore-Oil-Drilling-Risks-Outweigh-Rewards

GRANT W. PICHÉ

One catastrophic spill, such as the 500-gallon oil spill off a Louisiana rig in June 2006 that killed hundreds of endangered pelicans in a national wildlife refuge is all it would take to ruin the only viable economic engine that Florida has, the $50 billion tourism industry. It is concerning that state Rep. Seth McKeel [R-Lakeland] leads the push for offshore oil drilling while he represents the people in Polk County.

Rep. McKeel stated that he has met with three different citizens' groups and has had zero opposition. I suggest Rep. McKeel talk to the Polk Chapter of the Florida Restaurant and Lodging Association. He may find there is strong opposition to offshore drilling from those constituents he represents in the hospitality industry.

As an FRLA board member in both Polk and Pinellas County, I see the risks that can come from dirty-and-outdated offshore drilling.

Pollution comes from everyday operations on oil rigs. Oil spills from platforms, pipelines and tankers do happen, despite better technology. According to the Minerals Management Service, we can expect one oil spill per year of at least 1,000 barrels in the Gulf of Mexico in the next 40 years, and a spill of 10,000 barrels every three to four years.

The risk outweigh the meager amounts of oil these proposals produce. I respectively suggest Rep. McKeel spend more time at the beach and think about the future of Florida's beaches before pushing for a simplistic answer to improving our economy.

Citizen oversight a burden to Arctic oil
Anchorage Daily News, June 30, 2009; http://www.adn.com/opinion/compass/story/848176.html

By DAVE HARBOUR

Alaska's natural resources are natural treasures, from environmental and economic perspectives. I hope our new U.S. senator successfully balances Alaska's resource potential with appropriate environmental, national security and consumer considerations.

In particular, the federal Minerals Management Service estimates our outer continental shelf holds 27 billion barrels of oil and 132 trillion cubic feet of gas. Developed, this resource would make Alaska the eighth largest oil producer, ahead of Nigeria, Libya, Russia and Norway.

But without these resources, Alaskans face a downward spiraling supply of jobs and career opportunities. Alaska depends on Chukchi and Beaufort resources to some day sustain the trans-Alaska oil pipeline and fill a North Slope gas pipeline ... and for thousands of jobs. America counts on us, too. The oil and gas potential in the Chukchi and Beaufort seas rivals that of the Gulf of Mexico.

Yet in draft legislation circulating for comment as part of his five "Arctic Climate Change Initiatives." Sen. Begich proposed adding a new layer of regulatory complexity to the already demanding federal regulatory system. The draft bill would establish, "an Arctic Regional Citizens' Advisory Council (RCAC) to encourage citizen engagement and oversight of the effective and safe development of Arctic energy resources."

Sound reasonable?

It's not.

Alaska has other advisory councils, created at different times for different purposes with different missions, as the Daily News noted in its Sunday editorial. But this particular advisory council, as proposed, could delay Alaska prosperity, worsen the existing regulatory structure and increase costs to consumers and taxpayers.

How?

It could adopt "recommendations" on "all aspects of energy development in the Arctic." It includes 20 voting members (from Arctic boroughs and villages and from seal, walrus, whale, whale-hunting, tourism, and environmental organizations) and 11 non-voting "expert" members from state and federal government agencies.

Federal or state agencies and energy companies must reply to the new commission's recommendations within two weeks -- a new regulatory, legal and public relations hurdle.

Arctic energy companies must participate in RCAC meetings, "in good faith." The commission would be immune from lawsuits, and it would persist for the lifetime of Arctic energy development.

The new commission's budget is a minimum of $5 million, to be paid by the very energy companies that must participate "in good faith." This potpourri of special interests would be self-governing, have its own staff, get paid per diem and meet at least quarterly. Since the commission would be self governing, that budget is not very limited.

America has the most demanding oil and gas regulatory and environmental requirements in the world. Special interests now share their loud voices and opinions through multiple review processes. Some groups add further complexity through endless legal action such as that which has current Chukchi and Beaufort sea exploration hog-tied.

Instead of creating another layer of complication, let's consider adopting legislation that expedites the permitting and legal processes, as Congress did in the Alaska Natural Gas Pipeline Act of 2004. There, judicial review is limited and a federal coordinator is named to improve efficiency of the regulatory process.

Sen. Begich's Web page describes an Alaska trip he is organizing for Barbara Boxer (Committee on Environment and Public Works) and colleague senators in August. "Since the day I arrived in the Senate," he notes, "my colleagues have been suggesting a trip to Greenland to witness climate change first-hand. I keep reminding them that Alaska is ground-zero for the impacts of global warming ... ."

I hope our senator is also bringing his colleagues north to give them a balanced view of the ground-zero natural resource wealth Alaska offers the nation.

I'd be honored to join Sen. Begich in an effort to balance environmental concerns, legal challenges and consumer values with a natural resources agenda that supports prosperity of Alaska's economy and America's families. I believe that thousands of other caring Alaskans -- and Americans everywhere -- share that sentiment.

Three steps towards energy independence
St. Louis Post-Dispatch, June 30, 2009;
http://www.stltoday.com/stltoday/news/stories.nsf/editorialcommentary/story/D21C70DE3FFA9A9C862575E4007CF459?OpenDocument

BY Barry Russell

Perhaps more than any other Interior secretary in history, Ken Salazar has the opportunity to prepare this nation for an extended period of energy prosperity by making just a few key decisions. By pursuing a balanced, comprehensive energy policy that includes conservation, responsible development of domestic resources and investment in new technologies, Salazar and the Obama administration can reduce our dependence on foreign oil, create thousands of new jobs and increase government revenue. America's small and independent oil and natural gas producers — the backbone of the American energy industry — stand ready to help.

To do that, Salazar needs to make some important decisions. He must increase access to onshore and offshore resources, make the permitting process more efficient and bring needed regulatory certainty by coordinating federal agency activities.

Perhaps the most important action Salazar can take is to continue the path toward opening more of the outer continental shelf to responsible energy exploration. When gas prices were $4 a gallon not too long ago, the Bush administration and Congress agreed to lift the decades-old ban on such activities. But before any production can take place, the Interior Department must determine which areas are to be included — opened to exploration — in its five-year plan for offshore energy activity. We cannot let the current relatively low price of energy stop the important progress that was made last year.

Accessing the OCS will bring a literal sea-change to America's energy portfolio. Federal estimates of the energy contained in the OCS top more than 86 billion barrels of oil and 420 trillion cubic feet of natural gas, enough to replace 50 years of OPEC oil. What's more, the development of those resources will create thousands of jobs and boost state and federal revenue. Over the last few decades, the oil and gas industry has invested billions of dollars to develop technologies that minimize the environmental impact of offshore activities. Those investments have yielded results: the Interior Department found that offshore operators produced 7 billion barrels of oil from 1985 to 2001 with a spill rate of only 0.001 percent. With our economy struggling, this one, swift policy stroke can put our nation on the right footing.
Salazar also should be looking for new ways to streamline the permitting process on federal lands. Current procedures are lengthy, costly and put too many miles of red tape between the American people and affordable, clean energy. The federal government should not ignore environmental regulations or abdicate its role as environmental and community safeguard. Rather, Salazar should work with local partners, such as state environment and oil and gas commissions, who often are more familiar with local ecology, to ensure timely permits and efficient environmental assessments.

This efficiency would bring needed certainty to oil and natural gas development and would allow producers to better plan for the future. Regulatory clarity is critical to continued resource development on the scale this nation will require in the century ahead.

That's why the secretary must continue the pilot program established by the Energy Policy Act of 2005 designed to coordinate operations among the field offices administering public lands in the Intermountain West. Government agencies (including the Bureau of Land Management, Bureau of Indian Affairs, Bureau of Reclamation, the Fish and Wildlife Service, the U.S. Department of Agriculture Forest Service, the Environmental Protection Agency and the U.S. Army Corps of Engineers) take part in the permit review and inspection processes, as do their counterparts at the state level.

Small, independent producers, many of whom have fewer than 20 employees, do not have the resources to navigate this complex web. Yet America counts on us to produce 90 percent of its oil and natural gas. To continue providing those resources, we need the federal government to make the permitting process simpler and regulations clearer.

However, the draft legislation by Democrats on the House Committee on Natural Resources would do the exact opposite. It would seek to eliminate the royalty-in-kind program, increase onshore royalty rates, decrease onshore lease terms and consolidate Interior Department leasing activities. If the secretary is serious about promoting more American energy production, he must oppose this proposal because it will discourage American investment and production and put our energy security further out of reach.

Salazar should look to these and other simple, good-government solutions to guide his department. Doing so will allow him and the Obama Administration to provide for this country's future, while creating jobs now.

Mitch Covington: Drilling technology may surprise tree huggers
Tallahassee.com, June 29, 2009;
http://www.tallahassee.com/article/20090629/OPINION05/906290307/1006/OPINION/Mitch+Covington++Drilling+technology+may+surprise+tree+huggers

Mitch Covington

My View

Few things are more important to humans than living in a clean environment. The great outdoors is a source of recreation and inspiration, and it belongs to all of us. It's our responsibility to keep it clean, and those who litter and pollute the earth should be liable for their crime and punished accordingly.

I've canoed down the Wakulla River quite often and have never taken the canoe out of the water without a bag full of other folks' beer and soda cans, bottles, and other assorted trash. I do this when I visit my favorite natural spots, too. By some standards, I'd be considered a "tree hugger."

My love for the outdoors eventually landed me in an undergraduate geology program. Geologists often get to spend a lot of time doing field work, so this was a good fit for me. I was also interested in marine biology, so through graduate school at Florida State I became a micropaleontologist. Micropaleontology is the study of the skeletal remains of single-celled algae that have flourished in the oceans for the past few hundred million years. These fossils are extremely useful for age-dating the sediments in which they're found.

Oil is found mostly in the sedimentary layers around the world, including the Gulf of Mexico. Consequently, oil companies find paleontologists very useful in the hunt for hydrocarbon, and this led me to eventually start a small consulting firm here in Tallahassee to provide service to the major oil companies. My company employs 10 to 12 Floridians, and we spend many hundreds of days each year on oil rigs in the Gulf of Mexico.

Today's oil rigs are not the rigs often portrayed in the media, but are billion-dollar floating cities employing state-of-the-art technology and costing up to $1 million a day to operate. Most often, the new rigs are actually ships with derricks mounted on them. The drill ships can be nearly three football fields in length and are home to roughly 200 people at a time. They can drill in water deeper than 10,000 feet and can drill a well 35,000 feet from the rig floor to the bottom of the hole.

The shipboard team stays in contact with the shore-based office with frequent video conferences. All crew members attend multiple and mandatory daily meetings, the topics of which include current drilling operations, of course, but also prominent discussions about personal safety and environmental protection. Today's oil exploration companies take the environmental issue extremely seriously. There will not be a cigarette butt thrown into the water. In my 10 years of working on oil rigs, I have never heard of an oil spill. In fact, while there have been more than 30,000 wells drilled in the Gulf of Mexico, how many spills of any significance have you ever heard of that originated from a drilling rig? The rigs are kept clean and are subject to surprise inspections by federal agencies.

The possibility of a "blowout" is minimized, if not eliminated, by a huge contraption that sits on the bottom called the "Blowout Preventer," or BOP. The BOP is controlled from the surface, and if a pressure buildup is detected, it can close off the hole with the push of a button. The BOP is regularly and frequently tested to ensure its functionality. If there is an approaching hurricane, the ship can simply shut off the well at the BOP, displace the drilling fluid, detach from the well and sail out of the way of the storm.

So without a doubt, we can drill safely and cleanly. Is it impossible for a catastrophic accident to happen? No, but the chances are infinitesimally small, and considering the benefits of drilling, it's worth the barely existent risk. If we consider the environmental impact of a beachfront high-rise condo, offshore drilling pales in comparison.

In these tough economic times, the potential for tens of thousands of jobs that would accompany offshore drilling should not be ignored. In addition, the other states in the Gulf of Mexico enjoy the royalties that come from offshore drilling in the waters that they have the resource rights to.

Should we completely rely on oil for our energy needs? Of course not. We absolutely should be moving full steam ahead on alternative sources. But petroleum products will be needed not only for energy and fuel for our vehicles and homes for decades to come, but also for thousands of products made of plastic and other synthetics.

It's understandable that tourists may not want to sit on a beach and look at a drilling rig. For those few occasions when a prospect actually would barely be within eyeshot of the shore, and the few situations when a discovery is actually made (finding oil is still a toss at the dart board), the extraction and retrieval can be done from the bottom of the ocean. No structures need to be seen from shore.

We're all entitled to our own opinion about this issue, but let's just be honest about the reasons not to drill. The mantra of "automatic environmental devastation" is just simply wrong.

MMS Raised $690 Million From US Central Gulf Oil, Gas Lease Sale
CNNMoney, June 29, 2009;
http://money.cnn.com/news/newsfeeds/articles/djf500/200906291610DOWJONESDJONLINE000585_FORTUNE5.htm

-By Angel Gonzalez

HOUSTON -(Dow Jones)- The U.S. Minerals Management Service said Monday that it accepted high bids totaling $690 million from oil and gas companies leasing 328 offshore tracts in the Central U.S. Gulf of Mexico.

Some 70 companies bid for 348 tracts during a Central Gulf oil and gas lease sale held in March. The MMS, which regulates offshore hydrocarbon exploration and production, and collects revenue from it for the federal government, awarded 328 tracts. The agency, which is part of the U.S. Interior Department, also rejected $12.7 million in high bids on 19 tracts because it deemed them insufficient. Also, one successful high bidder forfeited its lease, the MMS said in a release.

The U.S. unit of Royal Dutch Shell PLC (RDSA) led the lease sale with $153.6 million in high bids for 39 tracts. A BP PLC (BP) unit came in second with $77 million for 25 tracts. Marathon Oil Company (MRO), Noble Energy Inc. (NBL) and BHP Billiton (BHP) were also among the top bidders.

Floridians resist offshore drilling
Florida Sun Sentinel, June 29, 2009; http://weblogs.sun-sentinel.com/news/politics/dcblog/2009/06/floridians_resist_offshore_dri_1.html

Bracing for another confrontation over offshore drilling, 24 of the 27 Florida members of Congress are urging House and Senate leaders to help block the spread of oil-and-gas rigs along the state's west coast.

The Florida response is surprising only because it includes all but three members, a sign of near-unity on offshore drilling that has been elusive in recent months.

Florida's once-solid opposition to expanded drilling fragmented during last year's presidential campaign, when gas prices were high and Republican rallies chanted ``Drill, baby, dill!''

A letter sent to congressional leaders – dated Friday but released today -- from Florida's two senators and 22 of its 25 House members stresses the argument that drilling in the eastern Gulf would jeopardize military training exercises from bases in the Florida Panhandle.

``The eastern Gulf of Mexico provides our military with a testing and training range unlike any other in the world,'' the letter says. ``These ranges are a unique and irreplaceable national security asset that provides critical live-fire testing and training opportunities.''

The drilling issue is heating up again because the Senate version of a major energy bill – approved by the Senate energy committee – would allow drilling as close as 10 miles from the Panhandle and 45 miles elsewhere along the west coast.

The House, meanwhile, has taken the lead on climate-control aspects by passing a cap-and-trade bill last week designed to limit air pollution. Democratic leaders of the two chambers plan to put the two bills together this fall to form a sweeping energy package.

South Florida House members are touting the legislation while meeting with constituents this week during a break in the congressional session.

Congressman Ron Klein of Boca Raton, for example, plans to meet with local business owners and environmentalists on Tuesday at 11 a.m. for a roundtable discussion on energy. The meeting will be at Advanced Green Technologies in Fort Lauderdale.

United States: Coast Guard Proposes New Notice Of Arrival Requirements On The Outer Continental Shelf
Mondaq, June 29, 2009; http://www.mondaq.com/article.asp?articleid=82038

Article by Jeanne M. Grasso, Jonathan K. Waldron and Charles T. Blocksidge

New Development
The Coast Guard issued a Notice of Proposed Rulemaking ("NPRM") on June 22, 2009 to establish notice of arrival ("NOA") requirements for units (i.e. floating facilities, mobile offshore drilling units ("MODUs"), and vessels) planning to engage in Outer Continental Shelf ("OCS") activities in order to improve U.S. maritime domain safety and security awareness. Comments are due by September 21, 2009. The following is the link to the NPRM: http://edocket.access.gpo.gov/2009/pdf/E9-14584.pdf

Background
Currently, there are NOA requirements for units operating on the OCS, except for U.S. and foreign MODUs, bound for ports or places in the United States. Since September 11, 2001, the Coast Guard has modified the requirements for vessels bound for ports and places in the United States numerous times in an attempt to ensure public safety, security, and an uninterrupted flow of commerce. Consistent with these concerns, the NPRM implements section 109 of the Security and Accountability for Every Port Act of 2006 ("SAFE Port Act") utilizing the existing NOA regime as a guide to implement NOA requirements on the OCS.

Proposed NOA Requirements
The NPRM would require that owners or operators of U.S. and foreign-flag units engaging in OCS activities notify the National Vessel Movement Center ("NVMC") at least 96 hours before their intended arrival on the OCS. U.S.-flag units arriving at a place on the OCS directly from a U.S. port or place will be exempt from the new requirements. NOA Required Information The information that would be required by the NOA parallels the current requirements for vessels bound for ports or places in the United States, with the exception of voyage information for

each port or place in the United States to be visited and the operational condition of required equipment. The NPRM proposes the NOA would include the following:

- the location of the unit at the time of reporting;
- the area designation and block number where the unit will operate, if applicable;
- the unit's name, if any;
- the date when OCS activities are expected to begin and end;
- the names of the last two ports or places visited and the dates of arrival and departure;
- certain information regarding the crew (e.g., full name, date of birth, nationality, and positions);
- the date the unit's International Safety Management Certificate was issued; and
- the date the unit's International Ship Security Certificate was issued.
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NOA Process

If the voyage time to the OCS is 96 hours or greater, the NPRM would require an initial NOA not less than 96 hours in advance of arrival on the OCS. If the voyage time to the OCS is less than 96 hours, the initial NOA would be required not less than 24 hours in advance. All submissions are to be done electronically via the NVMC website www.nvmc.uscg.gov and clicking on the link labeled "Submit NOA online."

If an owner or operator becomes aware that the unit will not arrive within 24 hours of the time initially reported, a revised NOA must be submitted at least 24 hours before arrival. If the new estimated time of arrival is less than 24 hours from the initially reported time, a revised NOA must be submitted at least 12 hours before arrival. Revised submissions would not be required for changes in arrival time of less than 6 hours, changes in the location of the unit at the time of reporting, or changes in personnel positions.

Towing vessels controlling a unit would be required to submit one combined NOA for the vessel and the tows. However, all required information would have to be included for the vessel and each respective tow.

Conclusion and Recommendations

This rulemaking proposes an additional regulatory umbrella over OCS activities and therefore U.S. and foreign owners and operators should review the NPRM's proposed requirements to determine how it will potentially affect the its OCS operations and submit written comments as deemed appropriate to the Coast Guard by September 21, 2009.

DRILLING & PRODUCTION; Rethinking the OCS Debate

Offshore Magazine, June 29, 2009; http://offshore-mag.com/index/article-display.articles.offshore.volume-69.issue-6.departments.drilling-__production.drilling-_amp__production.html

John Waggoner

If the US seeks to bolster the long term sustainability of its energy supply, it should look to hydrocarbons in the Outer Continental Shelf (OCS), the leaders of some of the world’s largest oil companies say.

Delays in bringing ongoing debate forward into policy ideas about opening new exploration and production in the OCS have led the oil and gas industry to renew the effort to win over groups opposed to offshore drilling.

Government moratoria on drilling in the OCS expired last year amid fervent debate over the future of the country’s energy policy.

At the time, oil prices were screaming near a level of $147/bbl and the surge in fuel prices that followed led to renewed support for opening the OCS as a means to raise domestic hydrocarbon supplies.

Today, however the bumper stickers once common throughout the coastal states of the Gulf of Mexico and elsewhere urging “Drill, baby, drill!” have begun to fade and peel while the issue languishes for debate.

Oil prices have since retreated, and industry leaders now say it is increasingly important to call attention to the advancements in offshore drilling technology that protect human life, the environment, and the health of the economy.

Gary Luquette, president of Chevron North America comments that renewed engagement with groups opposed to OCS drilling is essential.

“The industry has done a poor job of getting the message out about how the industry is important to the economy,” he says.

The industry should take “credit and great pride” in the advancements over the past 40 years, Luquette says, particularly those which protect the safety of the environment and ensure maximum recovery with every well.

The consensus among speakers on the topic at the Offshore Technology Conference (OTC) in Houston in May was that one of the main obstacles to opening the OCS is a perception by many in the country that renewable energies are somehow at odds with the hydrocarbons, even though the US needs oil and gas every bit as much as other sources to keep up with demand.

Worse, renewable energies are viewed by some as an easy replacement for the hydrocarbons that keep the world running, starkly in contrast to empirical fact and the economic and practical limitations of wind, solar, and nuclear power.

The polarization of renewable energy against oil and gas industry is essentially misleading because the country’s energy needs will continue to rely predominately on hydrocarbons well into the future, Luquette says.

“In 30 or 40 years, oil and gas will still play a very important role,” he says.

ExxonMobil president Tim Cejka agrees that technology will be a decisive factor for the industry to deliver on its promises in the OCS.

“New cutting edge technologies…can produce safely and with minimal environmental impact,” Cejka says.

Karen Alderman Harbert, president and CEO of the US Chamber of Commerce’s Institute for 21st Century Energy, believes that the OCS drilling agenda must be pursued as part of a comprehensive energy policy alongside renewables.

“There is no silver bullet, but there is silver buckshot,” she says.

The Department of the Interior’s strategy for meeting the growth in energy consumption includes both conventional and renewable resources. However, a five-year plan from the Minerals Management Service (MMS) to address new OCS leases has been delayed, raising concerns by the industry that the topic remains in limbo.

For some, if there is a single “line in the sand” which divides those in favor of drilling and those opposed, that line would be the environment.

Map showing US Outer Continental Shelf acreage. Image courtesy of Minerals Management Service (MMS).

Sidney Coffee of America’s Wetland Foundation says it is essential that OCS exploration and production operate from a sound environmental platform.

The group has organized the Gulf Coast states into a coalition of economic, environmental and energy interests to “educate America, shape public policy, and speak with a shared voice in Washington.”

In Louisiana, this coalition was instrumental in the effort to change the state’s constitution to direct the state government’s portion of federal OCS income to hurricane restoration and coastal protection.

For reasons such as this, experts say federal OCS revenue and the ability to create new jobs – many of them high paying and levied at a higher income tax rate – are powerful arguments in a recession.

David Dismukes, associate director and professor at the Center for Energy Studies at Louisiana State University says the Gulf of Mexico (GoM) currently produces each year some 490 MMbbl of oil and 3 tcf of gas, accounting for 23% and 14%, respectively, of all domestic US production.

This once restricted activity has translated into federal revenue of $32 billion per year over the last five years, Dismukes says. That amount is second only to the tax-gathering might of the Treasury itself, meaning no other industry can claim to have paid back more to the American people than oil and gas producers.

However, operations in the GoM cannot maintain this pace forever. The region's producing wells are maturing, and federal proceeds will inevitably decline along with production unless new areas of the OCS are opened.

Due to the age of US Department of Energy data – much of it acquired with 2D seismic – the data about the country's offshore reserves is hopelessly out of date, experts say.

Until new areas are opened to the private sector to begin exploration, oil and gas operators say it will be impossible to determine how much oil and gas is out there.

But for the operators to take on the long term risks involved in exploring these new areas, Dismukes says allowing access to the OCS will mean little without consistent governmental policies to support development.

Gulf of Mexico oil production forecast to reach record high
Offshore Magazine, June 29, 2009; http://offshore-mag.com/index/article-display/1313546792/s-articles/s-offshore/s-volume-69/s-issue-6/s-gulf-of_mexico/s-gulf-of_mexico_oil.html

Deepwater projects, hurricane restarts driving increase

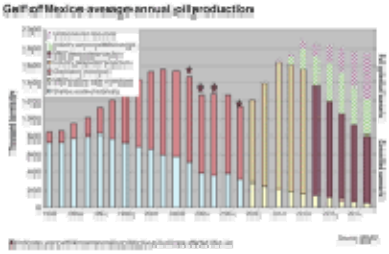
David Paganie

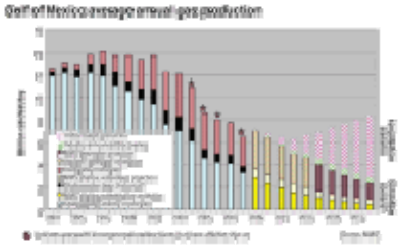
Gulf of Mexico oil production is forecast to increase substantially over the next few years, possibly reaching 1.9 MMb/d in 2013 which would be a record high, according to Richie Baud, MMS deputy regional supervisor for the Office of Production and Development. This is MMS' best-case scenario, which factors in industry-announced discoveries and undiscovered resources.

Recent startups at BP-operated Thunder Horse (capacity: 280 Mb/d oil; 200 MMcf/d gas), BHP-operated Shenzi (capacity: 100 Mb/d oil; 50 MMcf/d gas), Chevron-operated Tahiti (capacity: 125 Mb/d oil; 70 MMcf/d gas), and volumes of oil and gas production coming back online from hurricane shut-ins, are reversing the GoM oil production trend upward, albeit temporarily, beginning this year. MMS says 75% of the increase in oil production and 72% of the increase in gas production will result from hurricane shut-ins coming back online.

Other recent deepwater startups include BP's Dorado and King South projects. Dorado comprises three subsea wells; King South has one. Both are tied back to the BP-operated *Marlin* TLP.

Meanwhile, based on existing shallow water and deepwater operator commitments, GoM natural gas production is forecast to increase slightly this year over last year, to about 7 bcf/d, according to MMS. However, in 2010, gas output is forecast to begin declining again, even with the addition of resources from industry announced discoveries. The small contribution to gas production from industry announced discoveries reflects the overall trend of lower gas-oil ratios in the subsalt Miocene and Lower Tertiary plays, found in the deepwater GoM.





“The Gulf of Mexico is one of the single largest suppliers of oil and gas to the US market,” says Lars Herbst, MMS GoM regional director. “With continued interest and activity in deepwater areas of the GoM, we anticipate that oil production will continue to be strong with a large portion of production coming from projects in deeper water depths.” Deepwater supplies about 70% of the oil and 36% of the gas from the Gulf. There are 7,310 active leases in the US GoM, 58% of which are in deepwater.

In 2008, operators announced 15 new deepwater discoveries, almost double the number reported in 2007. Seven new deepwater projects (Bass Lite, Neptune, Blind Faith, Mississippi Canyon block 161, Raton, Thunder Horse, and Valley Forge) began production last year, bringing the total to 141. This is up from 130 at the end of 2007. Meanwhile, 73% of the tracts receiving bids in the three GoM lease sales held in 2008 are in deepwater.

Much of the new development in the GoM is in ultra deepwater (water depths greater than 5,000 ft [1,524 m]), and often targeting high temperature and high pressure prospects beneath salt canopies with layers of tar, which complicates drilling and production. This requires rigs equipped with the latest technology, and production systems suited for harsh weather, in areas with minimal existing infrastructure.

“The deepwater frontier has entered a new phase,” says Mike Prendergast, MMS chief of staff, GoM region. He points to the increasing use of hub facilities as a trend in deepwater development. “Hub facilities will serve a bigger role as drilling moves to deeper waters, and this will require further development of MODU technology as many of the hubs lack drilling capacity,” he says.

Chevron recently announced it has initiated front-end engineering and design of a new deepwater hub to develop the Jack and St. Malo discoveries. The floating production platform will be a semisubmersible designed facility with an initial nameplate capacity between 120,000 and 150,000 b/d of oil, 37.5 MMcf/d of gas, and provision for a future 200,000 b/d of water injection. It will be moored in 7,000 ft (2,134 m) of water. Mustang won the contract for topsides FEED, with completion expected in 2Q 2010.

BP is considering a new hub as one of several development options for its Kodiak and Tubular Bells discoveries. The company has appointed AMEC to evaluate the development options, with the aim of advancing the preferred solution into FEED.

Many of the newbuild MODUs scheduled for delivery to the GoM will be equipped with DP systems, and capable of drilling in up to 12,000 ft (3,658 m) of water to 40,000 ft (12,192 m) TD. In 2007, MMS reported a record number of rigs (15) drilling in ultra deepwater. Although this record has not been surpassed, MMS expects increased drilling in this water depth, with 15 newbuild MODUs scheduled for delivery to the GoM in 2009-2011. MMS expects two new drillships and six new semisubmersibles in this year, five new drillships and one semisubmersible in 2010, and one new semisubmersible in 2011. Also, four semisubmersible rigs are being upgraded to drill in ultra deepwater, with delivery to the GoM expected in this year and in 2010.

Meanwhile, a number of production-related technologies considered new to the GoM have been installed recently or are slated for installation in this year.

ATP plans to install its MinDOC floating drilling and production unit *ATP Titan* on the Mirage field for the Telemark Hub project. The company says this is the first-ever multi-column deep draft floating dry tree platform, first platform in the US to be built in a graving dock (pictured above), and the first use in the GoM of a single barrier drilling riser

backed by a subsea isolation device. The MinDOC, designed by Bennett & Associates, looks like a semisubmersible but behaves like a spar in terms of stability and dynamic response to waves, according to Bennett. It has capacity for 25,000 b/d of oil and 50 MMcf/d of natural gas. First production is expected by early 2010.

The first FPSO in the US GoM, *BW Pioneer*, will develop the Cascade and Chinook fields in Walker Ridge, with first production expected in 2010. This project will use four technologies considered new to the Gulf: free-standing hybrid risers, polyester mooring, electric submersible booster pumps, and oil shuttle tankers.

Another first for the Gulf will be the ship-shaped floating production unit, *Helix Producer I*, for the Phoenix development in Green Canyon, with a planned production startup in 2010. A disconnectable transfer system will be used to connect the field's subsea wells to the FPU, also a first for the US GoM.

Also scheduled to begin production in 2010 is the Perdido Regional Development in Alaminos Canyon. The project's truss spar was installed in over 8,000 ft (2,438 m) of water which set a record for the deepest such facility in the world. Perdido is the first application of full, host-scale subsea separation and boosting in the US Gulf. "The offshore energy industry continues to confront and overcome technological challenges as energy production moves into deeper waters," says Herbst.

Continuing with the theme of new technology in the GoM, ABS has provided basic design approval for Petrobras' Mono-Column, Production, Storage, and Offloading unit (MPSO) intended for ultra deepwater operation in the GoM. ABS says the approval is significant as it consolidates the MPSO design concept as one viable option for the next phase of the Cascade-Chinook development. The concept is also being considered for offshore Brazil. ABS provided an early conceptual stage review of the design and issued its approval in principle in 2005.

The MPSO has some characteristics of a spar but a much shallower draft, explains Luiz Feijo, ABS project manager for the MPSO. The design is such that it minimizes heave and pitch, making it more suitable for the application of steel catenary risers, he says. Also, this new hull design is intended to reduce heave, thus lessening the fatigue on SCRs, adds Feijo.

The MPSO was designed to be permanently moored to the seabed, remaining on station for its operational life. ABS says this presents a major advantage over the traditional ship-shaped FPSO which requires a disconnectable turret due to the harsh environmental characteristics of the GoM.

ABS says it assessed the MPSO for its hull strength by evaluating load components, conducting fatigue assessments, and reviewing the Global Motions and Stability reports. The classification society also conducted a Hazards Identification Study (HAZID) to identify possible safety issues associated with the offloading system. Feijo says the intent is for offloading to be carried out using DP-2 shuttle tankers. ABS provided its approval of the DP system on the shuttle tanker design as well. Since the unit is slated for the GoM, ABS also has provided regulatory compliance assistance to Petrobras.

Petrobras and Japan Oil, Gas and Metals National Corp. (JOGMEC) have been working jointly toward the practical application of the MPSO concept together with partners National Maritime Research Institute (NMRI) and IHI Group in Japan. The unit calls for storage capacity of 800,000 barrels.

It is important to note that Petrobras has not made a decision to launch a second phase of Cascade-Chinook. The company has taken a phase approach to develop the fields, but subsequent phases are contingent on wells results and reservoir performance in Phase 1, according to Petrobras.

Editor's note: Many of the facts and figures in this article were derived from two recent MMS reports: Gulf of Mexico Oil and Gas Production Forecast: 2009-2018, and Deepwater Gulf of Mexico 2009: Interim Report of 2008 Highlights.

Graving dock recognized for innovation

The graving dock currently containing the hull of *ATP Titan* was awarded a gold medal in the Engineering Excellence Award Competition held by the Texas Council of Engineering Companies. The Texas Council honors and recognizes outstanding achievements in engineering based on uniqueness, originality, technical design, value to the engineering profession, complexity, and how successfully the project met the needs of the client.

ATP says this is the first graving dock for offshore construction in the US. It is being used to fabricate *ATP Titan*'s hull. The graving dock, at Gulf Marine Fabricators' yard in South Texas, measures 600 ft (183 m) long by 250 ft (76 m) wide and 40 ft (12 m) deep. It has a reinforced concrete slab floor and sheet pile walls. Around the perimeter, the graving dock has pile supported relieving platforms to take the surcharge load applied by cranes. The south end of the graving dock that opens to the Corpus Christi Ship Channel has a removable sheet piled wall supported by steel struts. When flooded, the graving dock will have a minimum of 30 ft (9m) of water over the concrete floor.

When the hull construction is completed, the graving dock will be flooded and the sheet piles and sand separating the dock from the channel will be removed allowing *ATP Titan* to float out of the dock and be towed to sea avoiding the need to lift the 18,000-ton (16,329-metric-ton) hull onto a barge, thereby reducing cost from the construction process, according to ATP.

Fla. lawmakers say energy plans must protect gulf military training
Greenwire, June 29, 2009; http://www.eenews.net/Greenwire/2009/06/29/8/

Ben Geman, E&E senior reporter
The bulk of Florida's congressional delegation is warning Capitol Hill leadership in a new letter that energy legislation must not encroach on eastern Gulf of Mexico military training, an effort that comes as the Senate readies itself to debate legislation that could bring oil and gas rigs closer to Florida's shores.

"Currently, the Eastern Gulf of Mexico provides unique testing and training ranges declared incompatible with mineral exploration and extraction by the Department of Defense in 2005," states a June 26 letter from 24 of the the state's 27 senators and representatives, circulated by Sen. Bill Nelson (D-Fla.).

"This position has since been reasserted numerous times by the Department of Defense. By prohibiting drilling that encroaches upon the military's mission, we can ensure our nation will be able to test the most modern technology and provide the best training for our service members of the present and future," adds the letter to both chambers' Democratic and GOP leadership.

The letter follows a Senate committee's recent passage of a bill that would sharply reduce the size of the no-drilling buffer around Florida's eastern gulf shores to 45 miles. This would upend a 2006 compromise that provided the state a much larger buffer. But supporters of expanded drilling say the Interior Department and Pentagon officials can ensure there are no conflicts.

The gulf drilling measure is part of a much broader energy bill the Energy and Natural Resources Committee approved earlier this month. Senate Majority Leader Harry Reid (D-Nev.) hopes to bring an energy and climate package to the Senate floor this fall.

The letter says there should be language that protects training areas from "encroachment," and that the Florida delegation should be included in any discussions about opening the eastern gulf to new exploration.
